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SENSITIVE
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STATE FOR EAP/J, EEB/TRA, EEB/TTP/MTAA FOR B. NAFZIGER
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TAGS: [EIND](#) [ETRD](#) [SENV](#) [PREL](#) [WTO](#) [EFIN](#) [ENRG](#) [JA](#)
SUBJECT: TOYOTA IN TALKS TO ACCESS JBIC LOAN FACILITY

REF: A. TOKYO 345
[1](#)B. TOKYO 228

Sensitive But Unclassified. Contains Proprietary Information.

[1](#)1. (SBU) Summary: Toyota Financial Services, the Japanese automaker's financing arm, reportedly has requested \$2 billion from the Japan Bank for International Cooperation (JBIC) to support its financing operations in the U.S. JBIC officials told emboffs March 6 its recently launched lending facility for Japanese companies' operations in developed countries, one of several GOJ responses to global financial turmoil, is primarily intended to complement private lending and assist Japanese firms having trouble raising dollars due to the seizing up of capital markets. Separately, a Toyota official suggested the firm is seeking JBIC support in an attempt to secure funds at rates comparable to those received by U.S. auto firms through USG assistance -- rates that are not otherwise available through private financial institutions. End summary.

JBIC Loan Facility

[1](#)2. (U) Following an administrative reorganization effective October 2008, JBIC -- Japan's equivalent of the Export-Import Bank and Overseas Private Investment Corporation -- officially ceased lending for most projects in developed countries. The shift in JBIC's scope of operations came as part of a longer term move by the GOJ to decrease the availability of programs in industrialized countries where it was assured firms could obtain financing from private lenders. However, following instructions from then-Finance Minister Shoichi Nakagawa to examine ways to facilitate JBIC support for Japanese companies in need of dollar financing due to the global economic crisis, the GOJ issued a Cabinet Order December 26 that enabled JBIC to provide loans and guarantees under the Japan Finance Corporation Law. This provision allows JBIC to fund developed country loans in the event of financial turmoil. The JBIC received inquiries from

several companies following the December order (ref A), according to media reports.

13. (U) Under terms announced by the Finance Ministry January 27, JBIC is authorized to fund business operations of Japanese firms or local subsidiaries in 22 industrialized countries, including the U.S. The facility, which runs through March 2010, requires co-financing with private banks, and JBIC can lend up to 60 percent of the total co-financed amount for large firms or 70 percent for small and medium enterprises. The loans are to have a maturity of one to five years (short-term lending of less than one year is not eligible under the Japan Finance Corporation Law) at an interest rate no lower than that offered by the co-financing institution.

14. (SBU) In early February, JBIC identified five types of situations in which it would consider financing, including: (1) a need to obtain long-term financing to cope with increased inventories or deteriorated earnings due to a decline in sales; (2) to finance replacement capital equipment; (3) funding for capital investment or acquisitions for contracts signed by January 27, 2009; (4) to finance the acquisition of the portion of equity stakes in a foreign joint venture where the foreign investment partner has withdrawn; and (5) to refinance long-term debt (e.g., as corporate bonds reach maturity). The JBIC is currently working with the Ministry of Finance to further clarify requirements to obtain eligible funding.

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15. (SBU) The GOJ plans to lend JBIC around 5 billion dollars from its Foreign Exchange Fund Special Account by the end of March, State Minister for Economic and Fiscal Policy and Finance Minister Kaoru Yosano reportedly told a press conference March 4. The JBIC issues roughly 80-90 percent of its loans in dollars. Officials at JBIC with whom we spoke said the loan facility is intended to support as many as 50-60 companies rather than just a few large firms.

16. (SBU) The purpose of the loan facility, JBIC officials told embassies March 6, is a temporary response to liquidity problems facing firms due to the freezing of commercial paper and other financial markets, rather than an inability of firms to raise capital due to poor creditworthiness. He asserted the loan facility is designed to complement, not replace, private lending. The JBIC expects companies to have negotiated terms with a private lender before approaching JBIC jointly for additional financing. Since the underlying issue is liquidity, not solvency, JBIC does not expect to guarantee the private sector loans.

Toyota Seeks JBIC Loan

17. (SBU) According to media sources, Toyota Corporation seeks 200 billion yen (approximately \$2 billion) from the JBIC program. Although he would not confirm the amount of the loan, a 200 billion yen loan would cover only a small portion of Toyota's operational costs in the U.S., a senior Toyota corporate auditor told embassy March 6. Since the U.S. is Toyota's principal market, the loan, if secured, would be used for U.S. operations, he explained.

18. (SBU) Approximately 70 percent of Toyota customers in the U.S. use loans -- either from financial institutions or Toyota's U.S. subsidiary, Toyota Motor Credit Corporation (TMCC) -- to purchase new vehicles, said this Toyota official. With virtually all private commercial lending having dried up in the U.S., TMCC has been forced to pick up the slack. Even for Toyota, the world's largest automaker, it has become difficult to secure the necessary volume of loans. Toyota's three trillion yen (approximately \$300 billion) in cash is insufficient to cover its operations, the official claimed. Higher borrowing costs, he continued, have

further exacerbated Toyota's difficulty obtaining affordable loans from U.S. banks. As a result, Toyota is taking measures to secure necessary funds, including from government-owned banks, he explained.

¶9. (SBU) In contrast, the U.S. Big Three can secure operating funds at a lower interest rate by receiving assistance from the USG, our Toyota contact contended. Although Toyota is still healthy, its costs to fund U.S. operations are growing. Toyota approached USG financial institutions, including the Federal Deposit Insurance Corporation (FDIC), to request help in obtaining loans with an interest rate comparable that received by U.S. automakers, but was refused. The Toyota official said Toyota understands the issue is very complicated and that the company will not receive the same kind of support from the USG as the Big Three. However, he continued, Toyota would be grateful if it could receive USG support, based on the volume of vehicles it manufactures in the U.S. (1.7 million units in its peak year of 2007) and on-going efforts to avoid layoffs at its U.S. facilities. (Note: In 2007, Toyota directly employed 36,866 people in the U.S. End note.)

¶10. (SBU) Mission will continue to keep a close watch on this and other assistance efforts to assess their overall effect and impact.

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¶11. (U) Consulate Nagoya contributed to this cable.
ZUMWALT